# Modern Ways Of Improving The Control System Securities Of The Market Participants

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## **ABSTRACT**

This paper investigates modern ways of the improving in different market cases. On this way, control systems in securities of the market were mentioned as the whole. Finally, research points of the development in the market control systems were stated in different points at all.

Keywords: Control systems, securities, market participants, modern way, improving control points.

#### 1. INTRODUCTION

To maintain the stability of the securities market development, the risk management of the securities market participants is of particular importance (Salzarulo, Krehbiel, Mahar, & Emerson, 2012).

Before proceeding to consider ways to improve the mechanism for monitoring the supervision of the activities of participants in the securities market, it is necessary to give a balanced assessment of the country's system of control, coordination and supervision over the activities of participants in the securities market. Because the issues related to ensuring quality control cannot be considered in isolation from the economic activities of the stock market(International, 2011; Jalilov, Desutter, & Leitch, 2011).

Consequently, the emergence of the domestic stock market, the issues of promoting its institutional development, the formation of reliable mechanisms for protecting investors, and raising the level of legal and infrastructural support have become top state priorities (BOBUR et al., 2015; Madritsch & Ebinger, 2011).

In this most important segment of the financial market, the main goal of the state policy is to mobilize free financial resources, both economic entities and individuals, their optimal distribution and use in the interests of the development of the real economy(Bobur & Alimova, 2017; Jalilov et al., 2011; Turner & Freiermuth, 2017).

Ensuring the implementation of this goal is impossible without properly formulated and supported by law principles of regulation of stock activity, aimed at meeting the interests of all participants in the securities market.

However, existing laws and regulations on securities, temporarily free monetary resources of individuals and legal entities do not allow them to be used for investing in the stock market. In addition, the lack of a strategic policy of joint-stock companies regarding the use of free cash to invest in the stock market leads to the fact that private investors do not trust the mechanisms of the stock market. As a result, the share of the population having investments in securities does not exceed 1%. This brings to the agenda the question of the need for a comprehensive study of the integration process as a mechanism to facilitate the rapid circulation of financial instruments in the stock market and to improve their quality. By improving existing legislation and requirements for organizing and conducting business in the securities market, the state introduces shareholder relations into the mainstream of the legal system and rules that protect an ordinary participant in the market-investor who has very little initial capital from any violations that are

inherent in any market(Getz & Carlsen, 2000; World Business - Economics and Finance Conference, 2011).

## 2. METHODOLOGY

To a large extent, the implementation of these principles for regulating the securities market was promoted by government measures to support the development of the domestic stock market. For, the successful implementation of an effective system of the legal mechanism for regulating the securities market would contribute to the timely formation of the necessary legal and regulatory framework governing the activities of stock market participants and aimed at preventing abuses of securities that occurred in a number of CIS countries. It could organically combine administrative and market levers of influence on participants in the stock space, covering almost all operations with securities circulating in Uzbekistan.

Such a system should be well identified with the general structure of state regulation and control, supervision, and take into account the achieved level of daily practical activity of professional participants in the securities market.

It should be noted that now the domestic system of control, coordination and supervision of the activities of participants in the securities market can be divided into three subsystems:

The first subsystem is due to government regulation of the securities market by government agencies. The competence of the state body is to perform the functions of control, coordination and supervision over the activities of its participants.

The second subsystem is connected with the self-regulation of the market, carried out by the participants of the securities market themselves.

The third subsystem is due to the social nature of regulation or regulation implemented through public opinion.

# 3. MAIN PART

Following the principles of these functional subsystems of activity regulation, a national system of control, coordination and supervision of the activities of securities market participants was formed in the republic, which took a lot of time and included the stages of formation and development, in particular:

☐ the creation of a regulatory framework covering the development of laws, regulations, instructions, rules, guidelines and other legal and regulatory acts;

Selection of professional securities market participants, i.e. stage, requiring proper knowledge by market participants of the state and development of the stock business, experience of stock activities;

 $\square$  stage of formation and development of the infrastructure of the stock market, allowing to increase the level of its transparency and attractiveness;

 $\Box$  the stage of ensuring the protection of the legal rights and interests of investors through the creation of collective investment institutions;

☐ the stage of high-quality training and retraining of personnel for domestic stock markets;

 $\Box$  stage of control over compliance by all market participants with the established norms and rules for the functioning of the market, which is carried out by the relevant control bodies;

The stage of introducing a system of norms and rules of conduct on the market, including oral and written warnings, fines, criminal penalties, and exclusion from the ranks of market participants.

All of the above can be combined into two large groups:

The first. Direct or administrative management. This can be achieved by: establishing mandatory requirements for participants in the securities market; registration of securities market participants; licensing activities in the securities market; ensuring awareness of all market participants; maintain law and order in the market.

The second. Indirect or economic management. This is implemented by the state with the help of economic levers at its disposal, i.e. with the help of the taxation system (tax rates, exemptions and exemptions from them); monetary policy (interest rates, minimum wages, etc.); state capital (state

budget, extra-budgetary funds of financial resources, etc.); state ownership and resources (state enterprises, natural resources and land)(Auty, 2005; Salzarulo et al., 2012).

From this it follows that the regulation of the securities market, first of all, presupposes the existence of a body vested with relevant powers and responsibilities.

In our republic, unlike other developed market countries, the authority of such a body has been transferred to the Center for the Coordination and Control of the Securities Market, which operates under the State Property Committee of the Republic. The center was established on the basis of the State Commission on Securities and Stock Exchanges at the Ministry of Finance in the spring of 1996.

The main functions of this Center are, firstly, the implementation of state policy in the field of formation, development and control, as well as regulation of the securities market, based on a thorough study of the experience of countries with developed economies and the recommendations of the Group of Thirty, in order to prevent mistakes made at one time by developed market countries in creating their stock markets.

Secondly, the development of a regulatory framework that provides the necessary legal conditions for the issuance and effective circulation of securities of Uzbek and foreign issuers. These are, first of all, the laws of the Republic of Uzbekistan, decrees of the President, government decrees, regulations and instructions of various government bodies involved in the stock market. The Center also monitors compliance with legislation on the securities market by its participants, issuers, investors, stock exchanges, investment institutions.

Thirdly, maintaining uniform registries of securities issues registered in the republic, i.e. The state should know how many securities are in circulation at any given moment, on what conditions they are issued, what are secured and when they will be redeemed.

Fourth, the protection of the rights and interests of investors is carried out through the function of the Center related to the licensing of professional participants in the securities market. At the same time, the Center not only issues permits for their activities (preliminary control), but also oversees their compliance with current legislation (subsequent control), up to the decision to revoke the license issued by them in violation of the legislation of the Republic of Uzbekistan.

In addition, the Center implements, in accordance with the general position of the Center, the following forms of regulation of stock activity, i.e. Centre:

- ➤ develops the main directions of development of the securities market and coordinates the activities of local executive authorities on the regulation of the securities market;
- > approves the standards of issue of securities; Prospectuses for issuing securities of issuers, including foreign issuers issuing securities on the territory of the Republic of Uzbekistan, and the procedure for registering an issue and prospectuses for issuing securities;
- develops and approves uniform requirements for the rules for the implementation of professional activities with securities;
- > establishes mandatory requirements for operations with securities, the norms of admission of securities to their public placement, circulation, quotation and listing, settlement and depository activities. The rules for accounting and reporting by issuers and professional participants in the securities market are established by the CCC, together with the Ministry of Finance of the Republic of Uzbekistan;
- > establishes mandatory requirements for maintaining the registry;
- > establishes an order and carries out licensing of various types of professional activity in the securities market;
- > issues general licenses for licensing activities of professional participants of the securities market, and also suspends or analyzes the specified licenses, keeps a register of issued, suspended and canceled licenses;
- ➤ determines the standards of investment insurance funds and their management companies, as well as insurance companies in the securities market;
- > ensures the creation of a publicly available system for disclosing information on the securities market:
- > confirms the qualification requirements for individuals and organizations engaged in professional activities with securities;

- develops drafts of legislative and other normative acts related to issues of regulation of the stock market, conducts their expertise;
- > supervises the compliance of the volume of issue of issued securities with their quantity in circulation and establishes the relationship between the size of the announced issue;
- > manages the regional offices of the CCC;
- > issues general licenses for the activity of professional participants of the securities market;
- ➤ approves the procedure and implementation of licensing, as well as the maintenance of the register of self-regulating organizations of professional participants in the securities market;
- > exercise strict control over the compliance of issuers, professional participants of the securities market and their self-regulating organizations with the requirements of securities legislation, as well as standards and requirements approved by the CCC;
- creates a public accessibility of the system of disclosing information about participants in the securities market;
- introduction of a registry of issued, suspended and revoked licenses;
- > supervises the compliance of the volume of issue of issued securities with their number in circulation;
- has the right to appeal to the arbitration court with claims to liquidate a legal entity that has violated the requirements of the securities legislation of the Republic of Uzbekistan and to apply sanctions to violators established by the legislation of the Republic of Uzbekistan.

## 3. CONCLUTION

Successful implementation of the above-mentioned activities of the Center, conducted jointly with the Ministry of Finance, the Central Bank and other government bodies, in our opinion, will allow creating a completely innovative system for regulating the stock market in the Republic of Uzbekistan.

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